



# **Real Estate Assets**



# Real Estate Assets



## Department Description

The Real Estate Assets Department manages the City's real estate portfolio and provides direction in the operations of Concourse and Parking Garages, QUALCOMM Stadium, and PETCO Park. The Real Estate Assets Department has been reorganized to reflect its three main divisions: Acquisition/Disposition, Asset Management, and Corporate Services.

The Acquisition/Disposition Division provides acquisition and relocation services for the City of San Diego including the appraisal and acquisition of sites for public facilities, parks, open space, and right-of-way for the Street Division within General Services. The Division is also charged with cataloging and evaluating City assets to determine which properties are essential for the City's core mission and which can be deemed surplus and made available for disposition. The Division handles the disposition of properties that are determined to be surplus.

The Asset Management Division is responsible for managing the City's diverse real estate portfolio. The Asset Management Division's responsibilities include the administration of over 620 of the City's existing unsubordinated ground leases and over 150 permits, operating agreements, use and occupancy agreements, and sub-leases. Another primary function is the management and administration of the redevelopment of existing leaseholds. The Division handles the negotiation of new leases and permits, renewing expired leases and permits, calculates and implements rental adjustments, and ensures lease compliance.

The Corporate Services Division is tasked with planning, organizing, and executing transactions that support all of the City's facilities needs. The Division works with individual City departments to determine how much space is needed and whether the requirement can be best accommodated through occupancy of City-owned properties, a lease from an outside entity, or the acquisition of a new facility.

The Concourse and Parking Garage special revenue fund provides management for the rental and use of the Community Concourse facilities. In addition, the Department manages the Evan V. Jones Parkade and World Trade Center (WTC) garages in order to provide parking spaces for employees, WTC lessees, and the general public. The Community Concourse is comprised of Golden Hall, Plaza Hall, various conference rooms, box offices, administration offices, and support facilities.

The Department's mission is:

# Real Estate Assets

*To acquire and manage real estate for the highest public use and benefit, generate revenue through leasing and sales of surplus assets, and maximize the overall financial return of the City's real estate portfolio*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department.

### ***Goal 1: Professionally manage real estate assets***

The City has over 600 ground leases that generate over \$70 million in revenue per year. To maximize this income stream, the City's lease portfolio requires expert management to ensure that the leaseholds continue to perform at their highest possible level. The Department will move toward accomplishing this goal by focusing on the following objectives.

- Exercise effective lease administration
- Improve value of assets

### ***Goal 2: Optimize the City's assets***

The City owns over 3,800 properties with a total size of approximately 120,000 acres. Among these properties are some surplus properties that do not directly provide value to the City. The surplus properties are put to use either by leasing them to create revenue for the City or by selling them to generate revenue for the Capital Improvement Fund. The money generated by the leasing and sale of the City's real estate is a vital component of the City's budget. The Department will move toward accomplishing this goal by focusing on the following objectives.

- Develop new revenue sources
- Divest of surplus property
- Maximize lease revenue
- Create redevelopment opportunities

### ***Goal 3: Optimize human resources***

Management of the City's real estate portfolio requires a staff with high levels of technical competency and professionalism. These skill-sets must be developed and nurtured for the City's real estate portfolio to achieve optimum performance. The Department will move toward accomplishing this goal by focusing on the following objective.

- Create a culture of success

### ***Goal 4: Centralize management of the City's workspace resources***

The City has over 10,500 employees. The implementation of an effective facility plan can reduce costs and improve efficiency City-wide. The Department will move toward accomplishing this goal by focusing on the following objectives.

- Enhance operational efficiency
- Provide a quality work environment at the best price

## Service Efforts and Accomplishments

The Real Estate Assets Department has made many changes in the way it conducts its core functions to ensure the City's Real Estate Assets are maintained and managed to the highest standards. The Department's changes resulted in the following improvements:

- The Department was reorganized to align with its core functions: Property acquisition/disposition, asset management, and corporate services.
- An audit was completed of City-owned properties that indicated that out of approximately 3,800 properties only two properties were unaccounted for.
- Total lease revenues were increased by 11 percent to a total of \$71 million.
- The City saved over \$1.2 million per year in rent payments by relocating City departments to City-owned space, and by subleasing or surrendering excess, unneeded space.

# Real Estate Assets

- The Department acquired and began implementation of a state-of-the-art software system (REPortfolio) that will replace the Department's antiquated and outdated mainframe-based system.
- The Department began scanning paper files to an electronic format for easier access and improved security.
- The Department acquired 10 properties for City use with a total value of \$7.8 million.
- The Department sold 14 excess properties with a total value of \$23.9 million.
- The Department currently has 19 City-owned, excess properties for sale with an estimated total market value of \$37 million.
- The Seaforth Sportfishing lease was renegotiated so that redevelopment of the leasehold would result in more than \$54 million in revenue which will be generated over a 40 year term.
- Council Policy 700-10 (leasing and sale of City real estate) was redrafted and the Department presented the new Leasing Policy to Council for approval in March 2008.
- New transaction reports for Council were designed to ensure complete disclosure and transparency for property sales and leases.
- The Department completed 32 telecommunication leases for over \$900,000 of annual rent and over \$500,000 of prepaid rent.
- The Department initiated a new streamlined lease approval process for telecommunication tenants which will result in improved service and efficiency.
- The Department initiated and completed a global appraisal for agriculture leases which improved its effectiveness in determining rents.

Annually, the parking garages provide parking for more than 1,100 City employees. During the past year, the Concourse has been the site for more than 120 events which include the following:

- Naturalization ceremonies for immigrants becoming United States citizens
- Salvation Army holiday dinners
- Homeless children's Christmas parties
- The California State Bar exams
- The North Park Apostolic Church services
- Various employment job fairs

## Budget Dollars at Work: Performance Expectations

### Goal 1: Professionally manage real estate

Performance Measure	Baseline FY2007	Actual FY2008	Target FY2009
1. Amount of revenue collected from leases <sup>1</sup>	N/A	\$73.7M	\$76.6M
2. Percent of rent reviews initiated on time	N/A	100%	100%
3. Percent deviation between actual revenues and budgeted revenues	N/A	Actuals exceeded budgeted by 1.5%	up to 10%

### Goal 2: Optimize the City's assets

Performance Measure	Baseline FY2007	Actual FY2008	Target FY2009
1. Amount of revenue from sale of City-owned properties	N/A	\$24.0M	\$21.0M
2. Number of required appraisals completed	N/A	138	105
3. Amount of revenue received from telecommunication facilities located on City-owned property <sup>2</sup>	N/A	\$2.01M	\$1.87M

<sup>1</sup> Amount includes all lease revenues collected by Real Estate Assets including General Fund, Enterprise Fund, and Special Revenue Funds. The Real Estate Assets budget only includes certain General Fund Revenue accounts for a projected total of \$40 million in Fiscal Year 2009

# Real Estate Assets

## Goal 3: Optimize human resources

Performance Measure	Baseline FY2007	Actual FY2008	Target FY2009
1. Percent of property agents taking professional development courses	N/A	80%	65%
2. Percent of property agents involved in professional organizations	N/A	56%	65%

## Goal 4: Centralize management of the City's workspace resources

Performance Measure	Baseline FY2007	Actual FY2008	Target FY2009
1. Percent of City-wide facilities assessments completed	N/A	50%	100%

## Budget Dollars at Work: Sizing and Workload Data

	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Target FY2009
<b>Workload Data</b>					
Number of City properties managed	N/A	N/A	N/A	3,817	3,820
Number of leases managed	694	678	680	621	620
Number of leasehold site inspections completed annually	N/A	N/A	N/A	92	225
Number of lease rent adjustments commenced	N/A	N/A	N/A	111	140
Amount of revenue collected from Concourse and Parking Garage operations	N/A	N/A	\$3.18M	\$3.65M	\$3.32M

<sup>2</sup> Amount includes revenue generated from all telecommunication leases, not just General Fund. The Department's budget only includes certain General Fund revenue accounts.

# Real Estate Assets

## Department Summary

Real Estate Assets				
	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL	FY 2008-2009 CHANGE
Positions	42.50	39.50	37.50	(2.00)
Personnel Expense	\$ 3,935,975	\$ 3,948,738	\$ 3,797,180	\$ (151,558)
Non-Personnel Expense	\$ 3,667,853	\$ 3,138,894	\$ 4,857,401	\$ 1,718,507
TOTAL	\$ 7,603,828	\$ 7,087,632	\$ 8,654,581	\$ 1,566,949

## Department Staffing

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>GENERAL FUND</b>			
<b>Real Estate Assets</b>			
Asset Management & Marketing	21.35	12.44	7.94
Corporate Services	0.00	0.00	2.00
Management	3.10	13.50	13.50
Real Estate Acquisition/Valuation	14.55	10.56	11.06
<b>Total</b>	<b>39.00</b>	<b>36.50</b>	<b>34.50</b>
<b>MUNICIPAL PARK GARAGE</b>			
<b>Concourse and Parking Garages</b>			
Municipal Parking Garage	3.50	3.00	3.00
<b>Total</b>	<b>3.50</b>	<b>3.00</b>	<b>3.00</b>
<b>DEPARTMENT TOTAL</b>	<b>42.50</b>	<b>39.50</b>	<b>37.50</b>

## Department Expenditures

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>GENERAL FUND</b>			
<b>Real Estate Assets</b>			
Asset Management & Marketing	\$ 2,238,087	\$ 1,575,340	\$ 1,046,607
Corporate Services	\$ -	\$ -	\$ 241,130
Management	\$ 1,128,057	\$ 1,466,480	\$ 1,548,433
Real Estate Acquisition/Valuation	\$ 1,427,669	\$ 1,219,642	\$ 1,318,283
Real Estate Assets	\$ (7,018)	\$ -	\$ (92,333)
<b>Total</b>	<b>\$ 4,786,795</b>	<b>\$ 4,261,462</b>	<b>\$ 4,062,120</b>

# Real Estate Assets

## Department Expenditures

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>MUNICIPAL PARK GARAGE</b>			
<b>Concourse and Parking Garages</b>			
Municipal Parking Garage	\$ 2,817,033	\$ 2,826,170	\$ 4,592,461
<b>Total</b>	\$ 2,817,033	\$ 2,826,170	\$ 4,592,461
<b>DEPARTMENT TOTAL</b>	\$ 7,603,828	\$ 7,087,632	\$ 8,654,581

## Significant Budget Adjustments

### GENERAL FUND

Real Estate Assets	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00 \$	83,029 \$	0
Adjustments to reflect the annualization of the Fiscal Year 2008 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and other benefit compensation.			
<b>Support for Information Technology</b>	0.00 \$	10,771 \$	0
Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.			
<b>Revised Revenue</b>	0.00 \$	0 \$	887,144
Adjustment to reflect Fiscal Year 2009 revenue projections.			
<b>Transfer of Midway Frontier and Sports Arena Rental Revenue</b>	0.00 \$	0 \$	3,522,454
Addition of Midway Frontier and Sports Arena rental revenue from QUALCOMM Stadium Department.			
<b>Non-Discretionary</b>	0.00 \$	(194) \$	0
Adjustments to expense allocations that are determined outside of the Department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.			
<b>Vacancy Savings</b>	0.00 \$	(92,333) \$	0
Adjustments to personnel expenses to reflect the anticipated savings resulting from positions projected to be vacant for any period of the fiscal year due to personnel transition and salary differentials for new employees.			



# Real Estate Assets

## Significant Budget Adjustments

### GENERAL FUND

Real Estate Assets	Positions	Cost	Revenue
<b>Savings from the Five-Year Financial Outlook</b>	(2.00) \$	(200,615) \$	0
Adjustments to personnel and non-personnel expenses, and revenue as a result of budget reductions discussed in the City's Five-Year Financial Outlook. These reductions are further described in Volume 1: Budget Overview and Schedules.			

### MUNICIPAL PARK GARAGE

Concourse and Parking Garages	Positions	Cost	Revenue
<b>Salary and Benefit Adjustments</b>	0.00 \$	15,531 \$	0
Adjustments to reflect the annualization of the Fiscal Year 2008 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and other benefit compensation.			
<b>Transfer to the General Fund</b>	0.00 \$	1,664,334 \$	0
Adjustment reflects the transfer of fund balance and excess revenue from the Concourse and Parking Garages Operating Fund to the General Fund.			
<b>Increase to Security Services and Training Costs</b>	0.00 \$	191,500 \$	0
Increase for concourse security and training.			
<b>Revised Revenue</b>	0.00 \$	0 \$	66,000
Adjustment to reflect Fiscal Year 2009 revenue projections.			
<b>Support for Information Technology</b>	0.00 \$	(2,383) \$	0
Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.			
<b>Non-Discretionary</b>	0.00 \$	(102,691) \$	0
Adjustments to expense allocations that are determined outside of the Department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.			

## Expenditures by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>PERSONNEL</b>			
Salaries & Wages	\$ 2,662,930	\$ 2,597,390	\$ 2,522,677
Fringe Benefits	\$ 1,273,045	\$ 1,351,348	\$ 1,274,503
<b>SUBTOTAL PERSONNEL</b>	\$ 3,935,975	\$ 3,948,738	\$ 3,797,180
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ 2,792,241	\$ 2,833,912	\$ 4,650,210

# Real Estate Assets

## Expenditures by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>NON-PERSONNEL</b>			
Information Technology	\$ 623,378	\$ 55,548	\$ 71,966
Energy/Utilities	\$ 211,243	\$ 208,443	\$ 94,234
Equipment Outlay	\$ 40,991	\$ 40,991	\$ 40,991
<b>SUBTOTAL NON-PERSONNEL</b>	\$ 3,667,853	\$ 3,138,894	\$ 4,857,401
<b>TOTAL</b>	\$ 7,603,828	\$ 7,087,632	\$ 8,654,581

## Revenues by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 FINAL
<b>GENERAL FUND</b>			
Licenses and Permits	\$ 114,515	\$ 151,844	\$ 147,550
Revenue from Money & Property	\$ 30,466,861	\$ 36,717,825	\$ 41,474,190
Charges for Current Services	\$ 1,875,230	\$ 2,325,327	\$ 1,982,854
Transfers from Other Funds	\$ 13,000	\$ -	\$ -
<b>TOTAL</b>	\$ 32,469,606	\$ 39,194,996	\$ 43,604,594

## Salary Schedule

### GENERAL FUND

#### Real Estate Assets

<i>Class</i>	<i>Position Title</i>	<i>FY 2008 Positions</i>	<i>FY 2009 Positions</i>	<i>Salary</i>	<i>Total</i>
1104	Account Clerk	1.00	1.00	\$ 37,878	\$ 37,878
1106	Sr Management Analyst	1.00	0.00	\$ -	\$ -
1107	Administrative Aide II	1.00	0.00	\$ -	\$ -
1218	Assoc Management Analyst	0.00	1.00	\$ 64,335	\$ 64,335
1228	Assoc Property Agent	5.00	3.00	\$ 63,330	\$ 189,991
1237	Payroll Specialist I	1.00	1.00	\$ 39,511	\$ 39,511
1348	Info Systems Analyst II	0.00	1.00	\$ 64,077	\$ 64,077
1532	Intermediate Stenographer	1.00	0.00	\$ -	\$ -
1746	Word Processing Operator	2.00	2.00	\$ 37,689	\$ 75,377
1756	Property Agent	10.00	10.00	\$ 71,230	\$ 712,301
1776	Public Information Clerk	2.00	2.00	\$ 37,688	\$ 75,375
1844	Sr Account Clerk	1.00	1.00	\$ 43,002	\$ 43,002
1876	Executive Secretary	1.00	1.00	\$ 52,009	\$ 52,009
1917	Supv Management Analyst	0.00	1.00	\$ 80,127	\$ 80,127
1929	Supv Property Agent	5.00	5.00	\$ 79,594	\$ 397,972
2177	Real Estate Assets Director	1.00	1.00	\$ 143,499	\$ 143,499
2214	Deputy Director	1.00	1.00	\$ 119,999	\$ 119,999
2245	Ball Park Administrator	0.50	0.50	\$ 110,000	\$ 55,000
2270	Program Manager	3.00	3.00	\$ 90,000	\$ 270,000

# Real Estate Assets

## Salary Schedule

### GENERAL FUND

#### Real Estate Assets

<i>Class</i>	<i>Position Title</i>	<i>FY 2008 Positions</i>	<i>FY 2009 Positions</i>	<i>Salary</i>	<i>Total</i>
	Vacancy Factor Adjustment	0.00	0.00	\$ -	\$ (79,584)
	<b>Total</b>	36.50	34.50	\$	<b>2,340,869</b>

### MUNICIPAL PARK GARAGE

#### Concourse and Parking Garages

<i>Class</i>	<i>Position Title</i>	<i>FY 2008 Positions</i>	<i>FY 2009 Positions</i>	<i>Salary</i>	<i>Total</i>
1104	Account Clerk	1.00	1.00	\$ 37,878	\$ 37,878
1107	Administrative Aide II	1.00	0.00	\$ -	\$ -
1218	Assoc Management Analyst	0.00	1.00	\$ 64,335	\$ 64,335
1929	Supv Property Agent	1.00	1.00	\$ 79,595	\$ 79,595
	<b>Total</b>	3.00	3.00	\$	<b>181,808</b>

<b>REAL ESTATE ASSETS TOTAL</b>	39.50	37.50	\$	<b>2,522,677</b>
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# Real Estate Assets

## Revenue and Expense Statement (Non-General Fund)

### CONCOURSE & PARKING GARAGES OPERATING FUND 10322

	FY 2007* BUDGET	FY 2008* BUDGET	FY 2009 FINAL
<b>BEGINNING BALANCE AND RESERVE</b>			
Balance from Prior Year	\$ -	\$ -	\$ 1,269,426 <sup>(1)</sup>
Fund Balance Reserve	\$ -	\$ -	\$ 550,000
<b>TOTAL BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,819,426</b>
<b>REVENUE</b>			
Concourse Event Revenue	\$ 600,000	\$ 600,000	\$ 600,000
HBJ Parking Garage	\$ 336,633	\$ 352,040	\$ 360,140
Municipal Parking Garage	\$ 1,907,585	\$ 1,947,200	\$ 2,005,100
Other Centre City Rental	\$ 343,030	\$ 357,795	\$ 357,795
<b>TOTAL REVENUE</b>	<b>\$ 3,187,248</b>	<b>\$ 3,257,035</b>	<b>\$ 3,323,035</b>
<b>TOTAL BALANCE AND REVENUE</b>	<b>\$ 3,187,248</b>	<b>\$ 3,257,035</b>	<b>\$ 5,142,461</b>
<b>OPERATING EXPENSE</b>			
Administration - Concourse	\$ 287,822	\$ 258,346	\$ 273,877
Operating Reserve Appropriation <sup>(2)</sup>	\$ 550,000	\$ 550,000	\$ 550,000
Operations - Concourse	\$ 1,541,561	\$ 1,581,731	\$ 1,484,157
Operations - Parking Garages	\$ 437,650	\$ 436,093	\$ 620,093
Transfer to the General Fund	\$ -	\$ -	\$ 1,664,334
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 2,817,033</b>	<b>\$ 2,826,170</b>	<b>\$ 4,592,461</b>
<b>TOTAL EXPENSE</b>	<b>\$ 2,817,033</b>	<b>\$ 2,826,170</b>	<b>\$ 4,592,461</b>
<b>RESERVE</b>			
Fund Balance Reserve	\$ -	\$ -	\$ 550,000
<b>TOTAL RESERVE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 550,000</b>
<b>TOTAL RESERVE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 550,000</b>
<b>BALANCE</b>	<b>\$ 370,215</b>	<b>\$ 430,865</b>	<b>\$ -</b>
<b>TOTAL EXPENSE, RESERVE AND BALANCE</b>	<b>\$ 3,187,248</b>	<b>\$ 3,257,035</b>	<b>\$ 5,142,461</b>

\* At the time of publication audited financial statements for Fiscal Year 2007 were not available. Therefore, the Fiscal Years 2007 and 2008 columns reflect final budget amounts from the Fiscal Year 2007 and 2008 Annual Budgets. As such, balances and reserves do not reflect carryover from the previous fiscal year.

(1) Estimated fund balance from prior year

(2) Operating reserve is budgeted in the operating expense